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27 June 1950

MEMORANDUM FOR: The Executive, CIA

THROUGH: The Budget Officer

SUBJECT: Bonding of Accountable Officers and Employees

REFERENCE: (a) Public Law 110, Section 10(a), Paragraph (1).
(b) Report No. 2237 from the Committee on Expenditures in the Executive Department concerning bill H. R. 8706.

1. H. R. 8706 is a bill to require the Heads of Executive Departments and independent agencies to obtain blanket, position schedule, or other type of surety bonds to cover their employees who are now required by law or administrative ruling to be bonded, and to authorize the payment of the premiums on such bonds from funds available for administrative purposes. In all instances where the individual, blanket, or position bond premium will exceed \$500, the bill proposes that the bond will be procured by the General Services Administration from the lowest responsible bidder after prior advertisement.

2. CIA bonding policies and procedures are necessarily a balance between normal Government surety requirement and cover operational requirements. In many instances CIA waives the bonding of accountable employees rather than disclose their relationship to the U. S. Government. In other instances accountable officers have been bonded through restrictive arrangements with a bonding company which assures at least a fair degree of agency anonymity. Since H. R. 8706 apparently is designed to provide bonding legislation for all Government departments and agencies, and since the bonding mechanics contemplated are incompatible with CIA's security requirements, it is recommended that legislative liaison be undertaken to ensure that CIA is not included accidentally or intentionally in the bill.

3. This bill, however, raises other points pertinent to the CIA bonding policy. Public Law 110 has already made provision for the payment of premiums on surety bonds of officers or employees. However, it made no specific provision for the procurement of blanket or position bonds, nor did it contemplate procurement of bonds by advertising for bids. Consequently, in providing for surety bonds of CIA personnel handling confidential funds, a single surety company has been utilized and only individual's surety bonds have been

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procured. Since the established premium rate for government employees was secured, there has been no possibility of lesser cost to the Government up to the present time.

4. The policy of CIA in bonding Accountable Officers handling confidential funds has been submitted for review many times. Although improvements have been made, a sound bonding policy has been impossible due to the security hazards of bonding the majority of Accountable Officers. At the present time only those individuals engaged in relatively non-critical operational activities have been bonded at all. Only if it was felt reasonably secure to reveal the names of specific individuals to a specific surety company have bonds been secured.

4. It is suggested that it might be highly desirable at this time to enter into negotiations with one or more surety companies as to whether or not they would be willing to provide blanket or position schedule bonds to CIA as a whole without disclosure by CIA of the names of individuals acting as Accountable Officers. Such a procedure would enable CIA to obtain such broader bonding protection than it now has, and would also improve the security under which present employees are bonded.



Chief, Finance Division

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cc: Budget Officer
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